

Message Text

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PAGE 01 LAGOS 00600 170840Z
ACTION AF-10

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-08 COME-00 CIAE-00
INR-07 NSAE-00 AID-05 /053 W
-----028331 170844Z /11

R 161449Z JAN 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 5933
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY NEW DELHI
AMEMBASSY VIENNA
AMCONSUL IBADAN
AMCONSUL KADUNA

UNCLAS LAGOS 00600

E.O. 11652: N/A

TAGS: BENC, EMIN, EFIN, ETRD, GW, AU, UR, NI

SUBJECT: WARRI DIRECT REDUCTION STEEL MILL UNDERWAY

1. NIGERIA COMMENCES CONSTRUCTION WORK ON ITS FIRST STEEL MILL THIS MONTH AFTER THE SIGNING ON JANUARY 13 IN LAGOS BY THE FEDERAL MINISTRY OF INDUSTRIES OF THREE FURTHER CONTRACTS FOR A ONE MILLION METRIC TON/YEAR DIRECT REDUCTION STEEL MILL AT WARRI, DUE SOUTH OF BENIN CITY, BENDEL STATE, AN OIL AND GAS AREA.

2. THE STEEL MILL, WHICH INCLUDES A ROLLING MILL AND OTHER FACILITIES, WILL COST DM1.6 BILLION (CURRENTLY DOLS 762 MILLION) UNDR LUMP SUM CONTRACTS ALREADY SIGNED AND IS EXPECTED TO BE IN OPERATION BY 1981 OR, AT THE LATEST, 1983. IT WILL PRODUCE 600,000 MTY OF BILLETS FOR USE IN TWO RE-ROLLING MILLS TO BE CONSTRUCTED ELSEWHERE IN NIGERIA, AND 400,000 MTY OF WIRE RODS AND REBARS FROM ITS OWN ROLLING MILL. IF, AS EXPECTED, THE BILLETS ARE ALSO USED FOR RODS AND REBARS THE WARRI MILL WILL SATISFY MOST OF NIGERIA'S CONSUMPTION OF THESE BUILDING MATERIALS, CURRENTLY SLIGHTLY UNDER
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PAGE 02 LAGOS 00600 170840Z

ONE MILLION MTY.

3. AMERICAN FIRMS SHOWED LITTLE INTEREST IN THE WARRI PROJECT. THE ONLY KNOWN DIRECT AMERICAN PARTICIPATION IS THE DIRECT REDUCTION PROCESS, AWARDED TO MIDREX CORP., CHARLOTTE, N.C., IN A DOLS FIVE MILLION CONTRACT SIGNED JAN. 13 COVERING THE PROCESS FOR TWO 500,000 MTXY MODULES. (BEGIN FYI: IT CALLS FOR AN

INITIAL DOLS 810,000 DOWN PAYMENT WITHIN SIX WEEKS FOLLOWED BY PERIODIC PAYMENTS UNDER FIVE LETTERS OF CREDIT TO BE OPENED WITH TWO MONTHS. THE FINAL MIDREX PAYMENT IS DUE OCT 3, 1980. PYAMENTS ARE IN DOLLARS. END FYI)

4. ALSO SIGNED JAN. 13 BY THE MINISTRY WERE THE CONSULTING ENGINEERING CONTRACT, WITH MECON (METALLURGICAL CONSULTANTS) OF INDIA, AND THE CONINOUS CASTING CONTRACT, WITH THE SWISS FIRM OF CONCAST AG.

5. ON OCT. 3, 1977, THE ENGINEERING-CONSTRUCTION-COMMISSIONING CONTRACT WAS SIGNED WITH A SIX MEMBER WWEST GERMAN-AUSTRIAN CONSORTIUM HEADED BY GUTEHOFFNUNGSHUETTE STERKRADE AG (GHH). IT INCLUDES TWO MIDREX LICENVSEES: KORF ENGINEERING GMBH AND LURGI CHEMIE UND HUETTENTECHNIK GMBH. LURGI IS RESPONSIBLE FOR ENGINEERING, MATERIALS PROCUREMENT AND EQUIPMENT ERECTION SUPERVISION, START-UP AND TRAINING SUPERVISION OF THE MIDREX MODULES. JORF IS RESPONSIBLE FOR DESIGNING AND SUPPLYING MOST OF THE PLANT'S ANCILLARY SYSTEMS. BROWN BOVERI HAS THE ELECTRIC WORK. THE WIESBADEN-BASED CONSTRUCTION FIRM OF JULIUS BERGER, WELL KNOWN IN NIGERIA FOR RAPID AND RELIABLE PERFORMANCE, BEGINS CIVIL WORKS AT THE SITE THIS MONTH.

6. THE SUCCESSFUL CONTRACTORS ARE THE SURVIVORS OF TWO CONSORTIA ORIGINALLY CHOSEN FOR THE WARRI MILL AND A SECOND DIRECT REDUCTION MILL PLANNED FOR THE PORT HARCOURT AREA T MAKE "LARGE UNCLASSIFIED

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PAGE 03 LAGOS 00600 170840Z

PROFILE" PRODUCTS. THE LATTER MILL WAS DEFERRED INDEFINITELY AND THE MINISTRY SELECTED FORMS FROM EACH CONSORTIA FOR WARRIM THE SECOND MILL WAS POSTPONED AS AN ECONOMY MEASURE AND BECAUSE ITS PRODUCTS ARE LESS ESSENTIAL AND LESS ECONOMIC THAN WARRI'S.

7. IMMEDIATELY AFTER SIGNING OF THE JAN. 13 CONTRACTS A NIGERIAN DELEGATION LEFT FOR LONDON TO ARRANGE FINANCING OF THE WARRI PLANT. THIS MAY COME FROM THE CHASE MANHATTAN-LED CONSORTIUM SCHEDULED TO SIGN A ONE BILLION DOLLAR LOAN TO THE FMG IN LONDON TODAY, THOUGH TO BE THE FIRST PHASE OF LOANS WHICH MAY TOTAL DOLS 3.8 BILLION BY 1980 FOR VARIOUS MAJOR INDUSTRIAL PROJECTS.

8. IT IS THOUGH THAT NIGERIAN STEEL AUTHORITIES WILL CONCENTRATE NEXT ON COMPLETION OF AGREEMENTS WITH THE SOVIET UNION FOR THE MAJOR BLAST FURNACE MILL AT AJAOKUTA ON THE NIGER RIVER. THE LAST OF 15 SEPARATE SOVIET AGREEMENTS INVOLVED WITH AJAOKUTA COMPLEX MAY BE CONCLUDED WITHIN TWO MONTHS.
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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, STEELS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAGOS00600
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780024-0615
Format: TEL
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780160/aaaabyls.tel
Line Count: 114
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6f9763e3-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3770649
Secure: OPEN
Status: NATIVE
Subject: WARRI DIRECT REDUCTION STEEL MILL UNDERWAY
TAGS: BENC, EMIN, EFIN, ETRD, GE, AU, UR, NI
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/6f9763e3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014